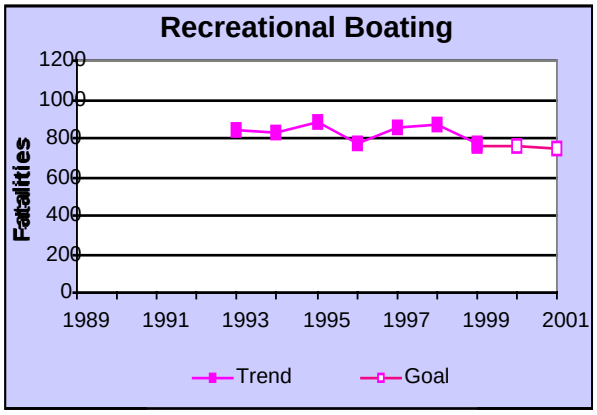
MAJOR PROGRAM PERFORMANCE

MARITIME

In the program performance area of maritime transportation, improvements of military readiness in working with the Department's counterparts from DOD, mariner rescue and passenger vessel safety were significant. In the area of drug interdiction, 1999 was a record year for cocaine seizures.

SAFETY

RECREATIONAL BOATING FACILITIES



Performance Measure: Number of recreational boating fatalities.
2001 Goal: 749
2000 Goal: 763
1999 Goal: 763
1999 Performance: 778

Recreational boating is a popular activity in America, but one with special risks. There are about 78 million boaters in the U.S., and people operate their boats often in remote and unforgiving environments. As a result, about 800 people lose their lives every year, usually by drowning.

Beginning this year, this measure will be revised to account for underreporting of recreational boating fatalities. Further revisions in the data may be made in the future when the Coast Guard completes its review of the Boating Accident Report Database (BARD). The Coast Guard's preliminary estimate is that six percent of all recreational boat fatalities are not captured in its BARD due to the failure of recreational boat owners/operators to report fatalities to the appropriate state boating law administrator. The revised data and revised goal include this six percent discrepancy. The original goal of 720 has been increased by six percent to 763.

A growing U.S. population and a growing U.S. economy lead to growth in the number of recreational boats. Success of our efforts is, in part, dependent on the effectiveness of many individual State-run education and enforcement programs. Also, boater behavior is often difficult to influence. For example, boaters tend to decline to wear life jackets, ignoring the risks associated with the nature of their boating activity.

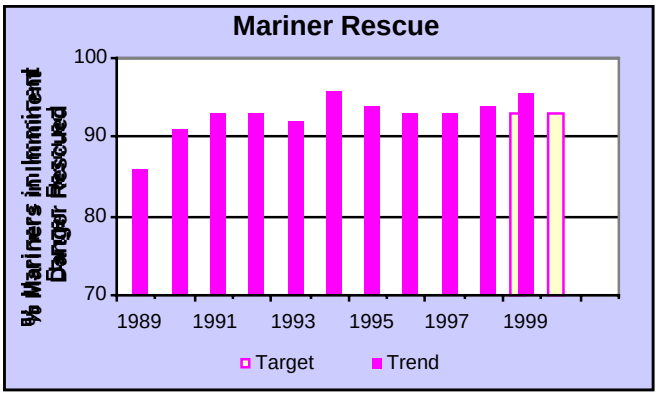
Data indicates we missed our revised goal of reducing fatalities to 763 or

fewer. Based upon actual reporting, we estimate that 778 fatalities occurred in 1999. Although the five-year trend in fatalities is uncertain, the 25-year trend shows a marked decrease in fatalities due to cooperative boating safety education and enforcement efforts, safer boats and equipment manufactured in accordance with Coast Guard standards and increased life jacket use.

The vast majority of boating fatalities was the result of accidents involving operator controllable factors. Obviously the best way to limit fatalities is to prevent these accidents. However, even when these accidents occurred, boaters had a vastly improved chance of surviving if they wore a life jacket. More than half of all fatalities were the result of capsizings or falls overboard and 80 percent of those victims drowned. Overall, about 80 percent of all drowning victims were not wearing life jackets.

Further evidence of life jacket effectiveness comes from analysis of personal watercraft accidents. Although personal watercraft are historically involved in as many accidents as open motorboats, more than five times as many fatalities occur in open motorboats. Accident data suggests the greater usage of life jackets by personal watercraft users results in the significantly lower number of deaths.

MARINER RESCUE



Performance Measure: Percentage of all mariners in imminent danger who are rescued.

2001 Goal: 85*

2000 Goal: 93

1999 Goal: 93

1999 Performance: 95.4

* Revised/expanded performance measure for 2001. Prior to FY 2001, measure included only those reported in imminent danger.

Over 50,000 ships and boats are reported in distress or in urgent need of help every year in the U.S. Operating in a remote and often very harsh environment, many mariners lose their lives, many more are injured and billions of dollars of property are at risk. Since the 1700s, mariners have depended on the Coast Guard to provide rescue services in time of need.

Several factors compound the difficulty of successful response: untimely notification to the Coast Guard of distress, incorrect reporting of the

distress site location, severe weather conditions at the distress site and severe property damage.

The 1999 goal of rescuing 93 percent of mariners reported in imminent danger was exceeded. The actual percentage was 95.4 percent.

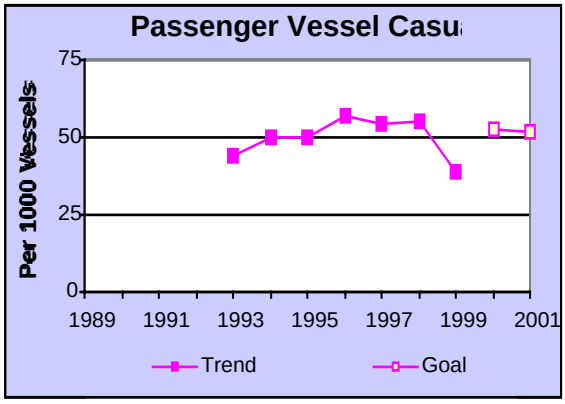
Our 2001 goal of saving 85 percent of all mariners in distress was also achieved in 1999. The actual percentage was 88 percent. In analyzing the trend, the goal will remain 85 percent for 2001. The Coast Guard responded to 39,834 distress calls and saved 3,744 lives.

Historically the majority of search and rescue (SAR) cases involve recreational boats, commercial fishing vessels and "people only" (swimmer, diver, etc.). These cases also make up the majority of lives lost.

Over the past several years the number of SAR cases has decreased because of better safety awareness and the maturing of the commercial assistance industry, which now handles many non-emergency cases. Consequently, the resource hours needed for SAR have dropped. However, the number of severe cases where lives are most likely to be lost has remained relatively constant.

While there will always be some number of lives the Coast Guard will not be able to save due to the severity, location or circumstances of the distress, there are improvements that can be made. The National Distress and Response (NDR) System — our maritime emergency radio network — will be modernized to eliminate the more than 65 existing communications gaps and add direction finding and immediate recorded voice playback capability. This is scheduled for completion by 2005. NDR's direction finding capability will reduce the amount of time expended on hoaxes and false alarms, 25 percent of all SAR time.

PASSENGER VESSEL SAFETY



Performance Measure: Number of high-risk passenger vessel casualties per 1,000 vessels.

2000 Goal: 53

1999 Goal: N/A

1999 Performance: 39

Each year over 90 million passengers are carried aboard cruise ships, ferries, charter fishing boats, sightseeing boats, gaming vessels and other commercial passenger vessels in the U.S. Collectively, these vessels provide one of the safest forms of transportation. But the 1999 fire onboard the 1,100 passenger cruise ship Tropicale highlights the potential for disaster that exists. Currently, newer vessels with much higher passenger capacities than in recent decades are raising the risk for a

major loss of life. Trends in high risk "precursor" casualties — fire, capsizing, flooding, collision, allision, sinking, grounding — indicate that while fatalities are very low, the underlying risk is still very real.

The Coast Guard has revised the analysis methodology that defines this indicator. The revised indicator provides a more accurate and repeatable depiction of high risk casualty rates over time. The original 2000 target for passenger vessel casualties was 47. That converts to 53 using the new methodology. This represents the same proportional reduction that our programs were aiming for in the original target — 10 percent over the five-year period, 1999-2003.

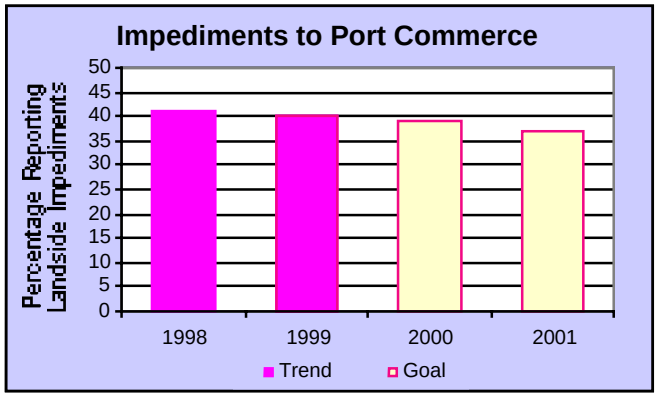
The technological advancement of passenger vessels increases the complexity of their operation and maintenance. Also, growth in gaming vessels in recent years has increased the exposure of the public to passenger vessels. Many passenger vessels, particularly cruise ships operating from U.S. ports, are foreign flag vessels that are subject to international standards. Some rulemaking or changes deemed helpful by the Coast Guard require lengthy international negotiation.
The DOT measure was established in the FY 2000 Performance Plan. The first report and analysis on the new measure is due in next year's FY 2000 Performance Report. While there is no target for 1999, preliminary results show the rate dropping by 16 casualties per 1,000 vessels, a very large single-year change that already exceeds our goal for 2000. The Coast Guard will further analyze the final 1999 results, when available, to determine the significance of this drop. The Coast Guard does believe that the rate may be declining after several years of increases.

Passenger vessel traffic is rapidly growing on cruise ships, gambling ships and passenger ferries, and the number of high-speed, high-capacity passenger vessels is booming. From historical data, the trend indicates that collisions, allisions and vessels running aground make up a majority of passenger vessel accidents, and most of these are caused by human error.

It is also known that the highest danger to passenger safety generally occurs in the lower frequency incidents such as fire, capsizings and sinkings. These too are incidents frequently caused by human error, as well as by equipment and vessel condition. The Coast Guard's Prevention Through People Program and implementation of International Safety Management Code target these causes.

MOBILITY

IMPEDIMENTS TO PORT COMMERCE



Performance Measure: Percentage of ports reporting landside impediments to the flow of commerce.

2001 Goal: 37

2000 Goal: 39

1999 Goal: 40

1999 Performance: 40

Ports play an essential role in the U.S. economy. Today, over two billion tons of goods produced or consumed in the U.S. move through our Nation's ports and waterways; however, this volume is expected to more than double over the next 20 years. Increased bottlenecks will potentially degrade the efficient intermodal movement of goods through our ports without improvements to inland rail, highway and truck intermodal connections, as well as waterside port access improvements.

Challenges include steady growth in waterborne foreign trade, infrastructure constraints, environmental concerns, institutional and land-use barriers and national security demands. Inadequate navigation improvements and maintenance projects on a timely basis will limit the ability of the most modern, cost-effective ships in the world fleet to call at U.S. ports. Differences between U.S. and international standards for freight transport also present a challenge in achieving this goal.

During FY 1999, 40 percent of the top U.S. deepwater ports and terminals — including the top 50 U.S. ports, the top 25 container ports and the 14 strategic ports, with some ports in more than one category, reported landside access impediments to the flow of commerce. This meets the goal and compares to a baseline-weighted average of 41 percent in FY 1998.

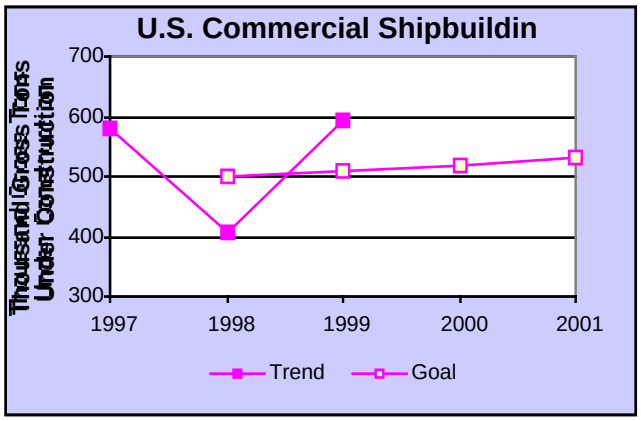
The following key areas were identified by those ports which reported impediments: rail access, 69 percent reported this problem; truck access, 63 percent; and, highway access, 51 percent. Primary examples of rail access impediments encountered were at-grade crossing, inconvenient location of rail yards, inefficient on-dock rail access, need for additional rail spurs and rail service issues and competition. The main truck access impediment cited was limited or lack of truck access routes to ports and marine terminals. Other truck access impediments were inadequate street signs and tight turning radii for trucks. Noticeable examples of highway access impediments included narrow and old bridges, congestion and inadequate interstate and local highway access routes to ports and marine terminals. DOT developed new and expanded existing partnerships with Federal

agencies and private entities to begin to advance maritime freight transportation in accordance with the objectives of the new Marine Transportation System (MTS) initiative and TEA-21 provisions. A MTS Task Force produced a report to Congress that provided a current status of the MTS and specific recommendations to improve it. This document will serve as a framework for future improvements to the MTS.

Under TEA-21, Section 1106 (d), the FHWA is evaluating the NHS connections to intermodal terminals. This evaluation is expected to provide DOT with solutions that will help to improve highway connections to our nation's ports.

ECONOMIC GROWTH AND TRADE

COMMERCIAL SHIPBUILDING



Performance Measure: Gross tonnage (in thousands) of commercial vessels under construction in U.S. shipyards.

2001 Goal: 530

2000 Goal: 520

1999 Goal: 510

1999 Performance: 595

Like other industries that depend upon defense contracting, major U.S. shipyards need to transition to commercial production while maintaining U.S. shipbuilding capability sufficient for national and economic security. Major barriers have impeded the U.S. shipbuilding industry competing in the international market, including substantial shipbuilding subsidies by foreign governments and greater economies of scale and efficiencies in foreign shipyards derived through series production of standardized vessels. U.S. government loans assist the U.S. shipbuilding industry to compete in the international market.

Continued subsidization of foreign shipyards by their governments, including significant expansion of modern shipyard facilities, will create excess shipbuilding capacity and enable foreign shipyards to price ships below cost, an inducement for vessel owners to purchase ships outside the U.S. The ongoing consolidation within the U.S. shipbuilding industry and corporate decisions by U.S. shipyards to focus on military ship construction could significantly reduce commercial

shipbuilding capability for large, oceangoing vessels.

As of the end of FY 1999, the U.S. commercial shipbuilding orderbook stood at 80 ships, 36 of 1,000 gross tons (GT) or greater, approximately 85,000 GT over the calendar year (CY) 1999 target of 510,000 GT. Overall, there was a net increase in the orderbook of 124,323 GT since the end of CY 1998. This increase can mainly be attributed to the contract award for two passenger cruise ships during the period that totaled 144,000 GT. Vessels delivered during the period accounted for less than 50,000 GT.

Of the total gross tonnage in the U.S. commercial shipbuilding orderbook at the end of FY 1999, almost three-quarters were concentrated in construction of three crude oil tankers of 247,626 GT and two passenger cruise ships of 144,000 GT. The other 75 vessels accounted for the remainder of 140,009 GT.

During FY 1999, MARAD continued to emphasize timely and effective management of the Maritime Guaranteed Loan (Title XI) program to enable U.S. shipyards to increase productivity, reduce costs and stimulate the construction of vessels in U.S. shipyards. MARAD approved 11 Title XI applications totaling over $1.8 billion in loan guarantees. The approved projects covered two shipyards modernization projects and the new construction of 39 vessels. One of the two shipyard modernization projects will revamp the whole ship construction system at the yard, and is expected to result in an approximate 60 percent increase in productivity. All these projects will help to maintain a U.S. shipbuilding capability sufficient for national and economic security.

The ship construction supported by the Title XI program is instrumental in assisting U.S. shipyards to compete in the international market. For example, Title XI projects approved in FY 1999 included the construction of two drill rigs for a Brazilian company for approximately $300 million, one power barge for a Cayman Island company for $50 million and one multi-purpose supply vessel for a Canadian company for $24 million.

Uniform standards worldwide help to improve the competitiveness of U.S. shipyards. As a member of the International Organization for Standardization and the American Society for Testing and Materials, MARAD participated in the development of more than seven international commercial shipbuilding standards. Marine-related national standards involving mechanical aspects of shipboard installations were also developed for eventual consideration as international standards. MARAD also worked with standards developing bodies and the Coast Guard to facilitate adoption of voluntary national consensus standards in lieu of regulation.

In FY 1999, MARAD continued to provide standards, documentation and information to the shipbuilding industry through its National Maritime Research and Education Center to assist in the development and/or retention of markets.

MARAD works closely with the Department of Defense's Advanced

Research Projects Administration (DARPA) and the shipbuilding industry on the Maritime Technology (MARITECH) program. MARITECH is designed to enhance the competitiveness of U.S. shipyards through industry-initiated cooperative research agreements intended to improve ship design and construction processes. In FY 1999, MARAD administered 19 MARITECH projects, funded by DARPA, to help spur investment in new technologies and marketing strategies. In a number of cases, shipbuilding designs developed through MARITECH projects have been applied by shipyards in constructing Roll-on/Roll-off ships at National Steel and Shipbuilding Company, crude oil tankers at Avondale Industries, Inc. and oil product tankers for export at Alabama Shipyard.

Performance Measure: Gallons spilled per million gallons shipped, by maritime sources.

ORIGINAL:

2001 Goal: 4.62

2000 Goal: 4.83

1999 Goal: 5.04

1999 Performance: 2.38

REVISED:

2001 Goal: 4.0

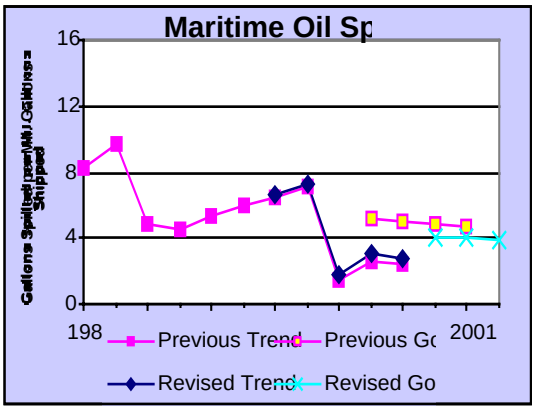
2000 Goal: 4.1

1999 Goal: N/A

1999 Performance: 2.7

HUMAN AND NATURAL ENVIRONMENT

MARITIME OIL SPILLS



A large share of the U.S. economy is fueled by oil. Over half of the oil that is used in the U.S. today is imported, and most of the imported oil is carried aboard tankships. While the design of these ships has improved substantially over the past few decades, accidents like the *Exxon Valdez* oil spill in Alaska illustrate the enormous magnitude of the environmental effects and potential economic effects when there is an accident.

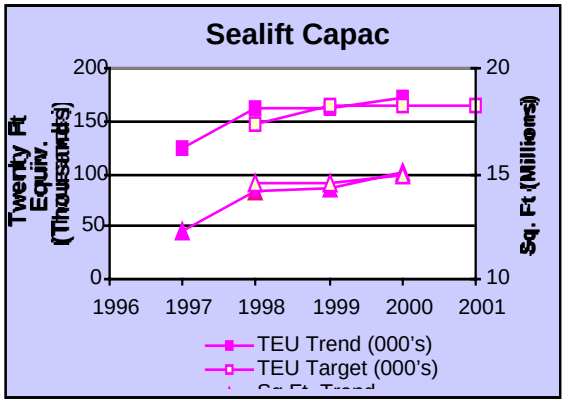
Over 90 percent of the oil spilled into U.S. waters results from only a few large spills. Tank ships and barges are the leading sources of spills, and human error is the primary cause.

We exceeded our goal for reducing the amount of oil spilled to 5.04 gallons per million gallons shipped; the rate is 2.38. The oil spill rate has been variable over

the long term — rising in 1993 to 1996 but dropping significantly in 1997 through 1999. The number of major and medium oil spills has decreased significantly from pre-1990 levels. Historically, major- and medium-size oil spills are few in number, but account for about 97 percent of the total volume of oil spilled in a given year. Tank barges and tank ships are the leading sources of major and medium spills. DOT's partnerships with American Waterways Operators, International Association of Independent Tanker Owners and the Baltic and International Maritime Council seek to reduce tank and barge spills. As a result of reducing tank and barge spills, the overall average number of oil spills over 10,000 gallons has dropped about 50 percent from pre-1991 levels. Volume of oil spilled has also dropped by about 50 percent.

NATIONAL SECURITY

SEALIFT CAPACITY



Performance Measure: Ship capacity (in twenty foot container equivalent units, or TEUs) available to meet DOD's requirements for intermodal sealift capacity.

2001 Goal: 165,000

2000 Goal: 165,000

1999 Goal: 165,000

1999 Performance: 162,151

Performance Measure: Ship capacity (in million square feet) available to meet DOD's requirements for intermodal sealift capacity.

2001 Goal: ---- *

2000 Goal: 14.5

1999 Goal: 14.5

1999 Performance: 14.3

* Measure discontinued after 2000.

Since the end of the Cold War, DOD has downsized significantly. To maximize DOD's logistics capability and minimize its cost, future defense transportation requirements will be met by increasing reliance on the U.S. commercial sector. However, increasing globalization and consolidation of transportation providers have left fewer U.S.-flag commercial carriers and an increased risk of disruption of defense transportation. The ability of the United States to respond

unilaterally to future military emergencies will require adequate U.S.-flag sealift resources. The Maritime Security Program/Voluntary Intermodal Sealift Agreement program (MSP/VISA) assures DOD access to critical sustainment sealift capability for national security contingency requirements. The program provides for a seamless, time-phased transition from peacetime to wartime operations while balancing defense and economic elements of civilian transportation for national security.

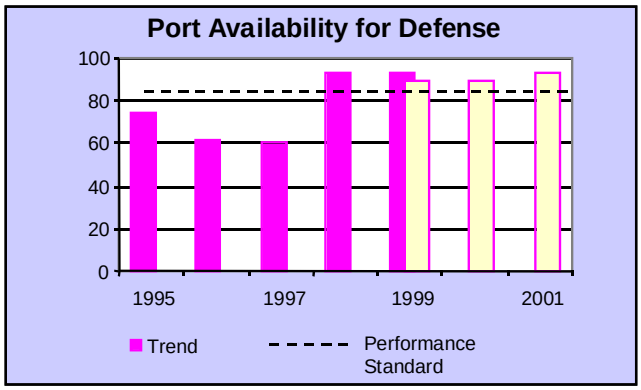
Business trends and increased globalization and consolidation of shipping companies could impact the availability of U.S. sealift capacity.

The 1999 targets of 165,000 TEUs and 14.5 million square feet of capacity were met even though three vessels were chartered to DOD and taken out of commercial service, and three containerships that were originally built with construction-differential subsidy (CDS) reached 25 years of age and were no longer enrolled in the Voluntary Intermodal Sealift Agreement program (VISA).

By the end of FY 1999, 171,218 TEUs, or 15.1 million square feet, of militarily useful sealift capacity were enrolled under the VISA program. The sealift capacity enrolled under VISA increased during FY 1999 from the FY 1998 end-of-year level.

The primary methods by which shortfalls in VISA capacity are addressed include conducting annual VISA open seasons and assuring that statutory requirements, including those relative to the transfer of MSP operating agreements between shipping companies, are adhered to. In addition, to offset ship capacity shortfalls in the VISA program, DOD can request presidential authority for MARAD to exercise its emergency authority to requisition non-VISA U.S.-flag ships to satisfy the contingency requirements. Sufficient non-VISA U.S.-flag capacity was available in 1999 to make up the shortfall, if it had been required.

DOD-DESIGNATED PORT FACILITIES



Performance Measure: Percentage of DOD-designated primary or alternate port facilities that are available when requested by DOD.

2001 Goal: 93

2000 Goal: 90

1999 Goal: 90

1999 Performance: 93

Port and intermodal facilities provide the critical interface between the water and surface modes of transportation, handling both commercial and military cargoes. During military mobilizations, DOD must be able to move equipment and supplies through designated

commercial port facilities on a timely basis if cargo is to be delivered to the theater of operations when needed by U.S. troops. DOT is responsible for establishing DOD's prioritized use of ports and related intermodal facilities during DOD mobilizations, when the smooth flow of military cargo through commercial ports is critical.

Global trade is continuing to increase, placing growing demands on U.S. ports. The increased demand may reduce the ready availability of commercial port facilities for use by the military during national emergencies. The capability of U.S. ports to meet U.S. national security requirements will also be affected by the adequacy of land and waterside access to the strategic ports; the availability of sufficient longshore labor to load military cargo onto sealift vessels during contingencies; and, the suitability of cargo handling technology and equipment.

An evaluation of the end of FY 1999 showed that 13 of the 14 DOD-designated strategic ports for military use (93 percent) were considered able to meet DOD readiness requirements on a 48-hour notice. This exceeded the performance target of 90 percent. The improvement in port readiness from 60 percent in 1997 to 93 percent in 1998 and 1999 reflects steps taken by MARAD and the Military Traffic Management Command (MTMC) to improve the measurement of port readiness and to develop a greater awareness by port officials of the actions necessary to increase port readiness.

In order to ensure that DOD-designated strategic port facilities are available to the military on a 48-hour notice throughout the year, MARAD and MTMC have developed a reporting system to provide ongoing information on port readiness. MARAD and MTMC assess port readiness semi-annually based on such factors as the suitability of available facilities (e.g., staging areas, berths and shoreside equipment); the adequacy of the local labor pool; and, the accessibility of the port to water, highway and rail facilities.

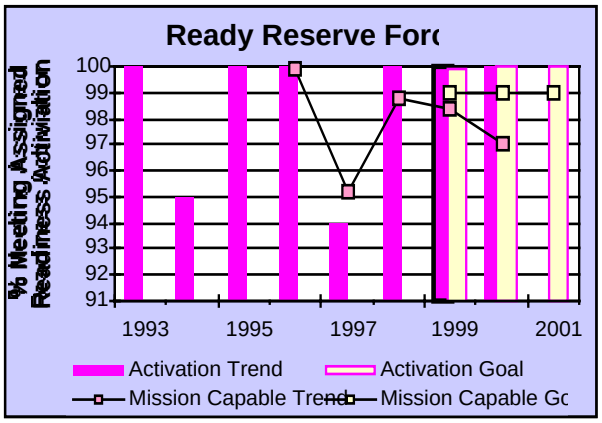
During the intervening months between assessments, Federal Port Controllers at the 14 ports submit monthly reports to MARAD and DOD. Most of the potential readiness problems identified in the monthly reports were due to construction/reconstruction or congestion of facilities. By the end of FY 1999, only one port reported a problem considered serious enough to delay its readiness beyond 48 hours after notice of a military mobilization. Had DOD needed use of these facilities, MARAD could have issued a National Shipping Authority Priority Order, under 46 CFR 340. This would temporarily set aside any existing contracts and shield the port authority and/or terminal operator from litigation as a result of disruption caused by the deployment. Alternatively, DOD could have attempted to use alternate facilities within the strategic port, if available, or facilities at another non-strategic port in the area.

In 1999, MARAD reviewed port planning orders at all 14 strategic ports and issued new orders where it was appropriate. Port planning orders are planning documents that identify specific facilities — staging areas and berths — available at each port for DOD

use during a national emergency deployment.

In 1999, the Coast Guard, MARAD and the port readiness committees at the strategic ports — representatives of the Federal agencies and organizations comprising the National Port Readiness Network — conducted port readiness exercises in Corpus Christi, TX; Savannah, GA; Jacksonville, FL; Tacoma, WA; and, New York, NY. All strategic ports were engaged in personnel readiness training in FY 1999 through a combination of table-top, mobilization command post or Sealift Emergency Deployment Readiness exercises. These events improved the tactical maneuvers necessary for the military to utilize the strategic ports more efficiently during deployment.

READY RESERVE FORCE (RRF) ACTIVATION



Performance Measure: Percentage of RRF no-notice activations that meet assigned readiness timeliness.

2001 Goal: 100

2000 Goal: 100

1999 Goal: 100

1999 Performance: 100

Performance Measure: Percentage of days the RRF ships are mission-capable while under DOD control.

2001 Goal: 99

2000 Goal: 99

1999 Goal: 99

1999 Performance: 98.4

The Department of Defense relies on the RRF as a key source of surge strategic sealift capacity to support the rapid deployment of U.S. military forces during the early stages of a military crisis. The DOD funds DOT's maintenance and operation of the RRF. The fleet is sized and configured to meet DOD requirements for specific ship types and for specifically outfitted support ships to carry heavy and oversized military cargoes that cannot fit into the containerships that are predominant in today's commercial general cargo fleet. A consistently high level of operational reliability, which requires extensive coordination among participants through no-notice activations and sea trials, is essential for the RRF to effectively support DOD. Changes in viability of the U.S. ship repair industry and the availability of U.S. mariners to crew the ships may affect the activation and operation of RRF ships.

During FY 1999, all 15 ships ordered activated by DOD without advance notice, or no-notice, were delivered within DOD-assigned readiness timeliness. The reliability of the RRF ships once activated under Military Sealift Command (MSC) control in

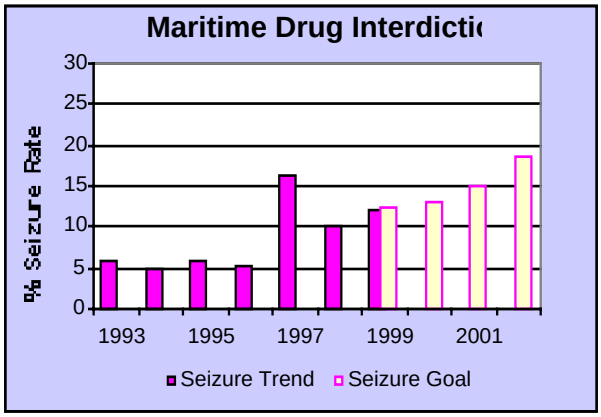
FY 1999 was 98.4 percent, covering 1,960 ship-operating days. In one case, the tanker PETERSBURG was not mission capable for 30 days due to unscheduled repair time needed to fix a low-pressure turbine coupling. The PETERSBURG is one of two Offshore Petroleum Discharge System (OPDS) tankers assigned to the Afloat Preposition Force (APF) and is kept in operational status in Guam. The PETERSBURG's problem represented a temporary, 50 percent reduction in cargo fuel available to DOD from RRF underway tankers. The other OPDS tanker, the POTOMAC, stationed in Diego Garcia, was available to fill any immediate requirements. In addition, the CHESAPEAKE, home ported in San Francisco, was placed on alert as a potential replacement if the DOD area commander had considered it necessary. The CHESAPEAKE was not sent to replace the PETERSBURG because a 30-day fix was available and a tanker swap would have been very costly.

The reliability of the RRF ships once activated, as measured in the percent of days that RRF ships are mission-capable while under DOD control, is primarily determined by the number of days it takes to repair a ship that becomes inoperative. For example, the low percent of mission capability in 1997, 95.2 percent, was the result of one ship being out of service for 156 days while undergoing repairs.

In FY 1999, 67 sea trials for RRF vessels were completed. These sea trials were the result of scheduled maintenance activations, as well as no-notice activations and exercise activations, using funding available from DOD's National Defense Sealift Fund.

These vessel checks continued a MARAD in-house program of maintenance sea trials, under which selected ships are activated to test both overall ship material condition, as well as the ship managers' maintenance and management procedures. During maintenance sea trials, RRF ships undergo thorough testing of all systems and equipment. These trials also serve as the means to renew regulatory certificates and identify future repair and vessel upgrade needs. In FY 1999, MARAD also dry-docked 14 RRF ships, which underwent extensive hull preservation maintenance.

DRUG INTERDICTION



Performance Measure: Percentage of seizure rate for cocaine that is shipped through the transit zone.

2001 Goal: 15.0

2000 Goal: 13.0

1999 Goal: 12.5

1999 Performance: 12.24

Illegal drugs threaten our children, our communities and the social fabric of this country. There are approximately 52,000 drug-related deaths in America each year, from drug abuse and drug-related

crimes, accidents and illnesses. Illegal drug smuggling also destabilizes the nations it touches along the way. In 1998, an estimated 373 metric tons of cocaine passed through the transit zone via non-commercial means, such as fishing vessels and smuggling "go-fasts" as opposed to being smuggled in containers via commercial shipping, on its way to the U.S.

Drug interdiction operates in a challenging and ever changing environment. The international drug syndicates operating throughout our hemisphere are resourceful, adaptable and extremely powerful. At the same time, socioeconomic conditions — here and abroad — influence the supply and demand for illegal drugs.

Final seizure data and cocaine shipment data for 1999 show a seizure rate of 12.24 percent compared to the target 12.5. This is an increase above the 1998 seizure rate of 10.1 percent.

Seizure data alone show a record year for cocaine seizures — 111,689 pounds of cocaine in all. The previous best was 103,000 pounds in 1997. However, the maritime cocaine flow rate increased to 414 metric tons — the highest level since data became available in 1995. This flow rate is estimated by the Office of National Drug Control Policy. This increased flow partially offsets the dramatic increase in seizures, leaving the rate just short of this year's target. Operation Steel Web, an aggressive counter-narcotics campaign, marked its third year in 1999. This has produced what appeared to be sustained increases in the seizure rate from pre-1997 levels.

A significant factor in the successful movement of cocaine has been smugglers' use of high-speed "go fast" vessels. In 1999, the Coast Guard began a limited deployment of a new program to stop smuggling from high-speed "go-fast" vessels. In Operation New Frontier, Coast Guard cutters sailed with specially equipped "use of force" helicopters and high-speed interdiction boats. These units carried high-tech equipment designed to safely stop fleeing "go-fasts" carrying more than 6,900 pounds of drugs in 1999. Use of this concept in 2000 will provide more information to assess its effectiveness in reducing the cocaine flow -- either through seizures or deterrence.

Another growing threat in smuggling has been the shipment of cocaine to the U.S. through the eastern Pacific. Our 1999 efforts in the eastern Pacific netted two of the three largest Coast Guard cocaine seizures ever — the fishing vessels XOLOESCUINTLE and MAZATLAN IV, carrying 21,036 and 15,515 pounds of cocaine respectively.